

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

VILLAGE OF PINCKNEY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

VILLAGE OF PINCKNEY

VILLAGE OFFICIALS

President – Rebecca Foster
Clerk - Amy Felty
Treasurer - Judith Paul

VILLAGE COUNCIL TRUSTEES

Rebecca Foster
Linda Lavey
Robert MacDonald
Kurt Mohrmann
Thomas Pais
Bob Stone
Barry White

VILLAGE ATTORNEY

Cohl, Stoker, Toskey & McGlinchy

VILLAGE AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA

Certified Public Accountants

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MACPA

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September 18, 2006

To the Village Council
Village of Pinckney
220 S. Howell
Pinckney, Michigan 48169

INDEPENDENT AUDITORS' REPORT

Honorable Council Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of and for the year ended June 30, 2006, which collectively comprise the Village of Pinckney's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Pinckney's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, except for the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 13 and 43 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pinckney's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2006

Within this section of the Village of Pinckney's annual financial report, the Village's management is providing a narrative discussion and analysis of the financial activities of the Village for the year ended June 30, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Village's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Village-wide statement of position presenting information that includes all the Village's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall health of the Village may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Village's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Village's distinct activities or functions on the revenues generated by the Village.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Village programs.

The Village's financial reporting includes all the funds of the Village (primary government) and, additionally, organizations for which the Village is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Village has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Village activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

The Village's net assets at the end of the fiscal period were \$10,864,368. This is a \$5,523 increase over the net assets of \$10,858,845 reported for the four months ended June 30, 2005.

The following tables provide a summary of the Village's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,345,210	\$ 4,244,315	\$ 5,589,525
Capital assets	641,934	6,178,863	6,820,797
Total assets	<u>1,987,144</u>	<u>10,423,178</u>	<u>12,410,322</u>
Other liabilities	279,284	151,670	430,954
Long-term liabilities	340,000	775,000	1,115,000
Total liabilities	<u>619,284</u>	<u>926,670</u>	<u>1,545,954</u>
Net assets:			
Invested in capital assets, net of relatd debt	265,089	5,358,864	5,623,953
Unrestricted	1,102,771	4,137,644	5,240,415
Total net assets	<u>\$ 1,367,860</u>	<u>\$ 9,496,508</u>	<u>\$ 10,864,368</u>

Summary of Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues			
Charges for services	\$ 193,735	\$ 532,179	\$ 725,914
Operating grants and contributions	18,160		18,160
Capital contributions		65,750	65,750
General revenues			
State shared revenues	299,254		299,254
Property taxes	831,677		831,677
Interest	50,838	175,393	226,231
Other	67,838	17,209	85,047
Total revenues	<u>1,461,502</u>	<u>790,531</u>	<u>2,252,033</u>
Expenses			
General government	264,625		264,625
Public Safety	340,118		340,118
Community Development	140,614		140,614
Public Works	754,674		754,674
Interest on long-term debt	14,124		14,124
Water System		264,870	264,870
Sewer System		364,108	364,108
Total expenses	<u>1,514,155</u>	<u>628,978</u>	<u>2,143,133</u>
Changes in net assets before special item	(52,653)	161,553	108,900
Special item - connection fees repaid		(103,377)	(103,377)
Changes in net assets and special item	(52,653)	58,176	5,523
Beginning net assets	<u>1,420,513</u>	<u>9,438,332</u>	<u>10,858,845</u>
Ending net assets	<u>\$ 1,367,860</u>	<u>\$ 9,496,508</u>	<u>\$ 10,864,368</u>

Comparative financial statements were not presented since the prior fiscal period was only for a four month period. As data is collected on a more consistent basis, comparative financial statements will be presented.

This year the Village saw an increase of cash and cash equivalents in the government funds due to an increase of revenues over expenses. Cash has also increased for the Village's proprietary funds. Proprietary fund short-term liabilities increased significantly due to sewer user fee refunds to be paid.

The government funds net assets decreased by \$52,653 whereas the proprietary funds nets assets increased by \$58,176 despite user fees being repaid.

Financial Analysis of the Village's Major Funds

The Village's General Fund had revenues over expenditures totaling \$144,425 before other financing uses. This is an exception to the breakeven scenario that is typical of the Village's operations. The prior (4-month) fiscal year expenditures exceeded revenues by \$179,757 due in part to lack of tax revenues in the short year. June 30, 2006 ending fund balance is \$552,024, or approximately 50% of the General Fund's average annual expenditures. This should provide an adequate cushion for any unexpected expenditures.

Two of the Village's major funds are Local Streets and Highway. Local Streets had an increase in their fund balance of \$27,007 and Highway Funds had a decrease in their fund balances of \$157,244. A major streetscape was just completed and others are planned for the next two fiscal years.

The Village's two major business-type funds, Sewer and Water, had a net operating loss of \$70,561. Sewer posted a net operating gain of \$4,373 while Water posted a net operating loss of \$74,934. Net income for Sewer and Water was \$4,501 and \$53,676, respectively, despite \$103,377 in sewer user fee refunds. A new rate schedule for both sewer and water was established beginning January 1, 2006 and will be reviewed annually and revised as needed.

General Fund Budgetary Highlights

The General Fund budget was adopted prior to the fiscal year in accordance with Public Act 493 of 2000. Total budgeted appropriations exceeded actual expenditures by \$65,783. Expenditures are budgeted by activity, and a few of these activities exceeded budgeted appropriations. The budget was amended during the year to account for various immaterial differences between budget and actual. One material amendment, in the amount of \$25,218, was made to account for the purchase of a leaf collector and increased refuse disposal costs.

Capital Asset and Debt Administration

The governmental funds of the Village purchased \$32,486 of new capital assets this year for sidewalk and road improvements for the Downtown Development Authority. To finance this and expenditures in the prior fiscal year, \$370,000 of bonds were sold during 2004. Current principal balance owed on the bonds is \$355,000.

A police car was acquired under a capital lease for four annual payment of \$8,518, beginning in June, 2006.

The business-type funds issued no new debt for its utility systems and reduced the balance owed on the bonds by \$40,000 to \$820,000.

Economic Conditions and Future Activities

The Village is anticipating a further drop in state revenue-sharing for its general fund to continue into next year due to the state's declining economic environment. Although the effects of this are not known at this time, the Village has taken this into consideration in preparing the budget for next year.

Property taxes will increase slightly in 2006-2007 due to the annexation of seven parcels. Expenditures will also increase due to rising health insurance costs, but the Village will be researching various options in order to minimize the effect this will have on the budget.

Contacting the Village's Financial Management

This report is designed to provide a general overview of the Village's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Village of Pinckney at 220 S. Howell, Pinckney, Michigan, 48169

BASIC
FINANCIAL STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 1,166,757	\$ 951,935	\$ 2,118,692
Cash and equivalents - restricted		2,646,592	2,646,592
Receivables			
Taxes	9,398		9,398
State of Michigan	52,770		52,770
Intergovernmental	14,233	1,810	16,043
Accounts	60,592	204,896	265,488
Special assessments		430,893	430,893
Prepaid expenditures	37,459	7,495	44,954
Inventory		1,200	1,200
Capital Assets - net of depreciation	641,934	6,178,863	6,820,797
Total assets	<u>\$ 1,983,143</u>	<u>\$ 10,423,684</u>	<u>\$ 12,406,827</u>
LIABILITIES			
Accounts payable	\$ 175,185	\$ 95,956	\$ 271,141
Accrued wages/taxes	53,806		53,806
Accrued interest payable	3,372	10,714	14,086
Deferred revenue	6,075		6,075
Contracts payable			
Current	6,711		6,711
Non-current	15,134		15,134
Bonds payable			
Current	15,000	45,000	60,000
Non-current	340,000	775,000	1,115,000
Total liabilities	<u>615,283</u>	<u>926,670</u>	<u>1,541,953</u>
NET ASSETS			
Invested in capital assets, net of debt	265,089	5,358,864	5,623,953
Unrestricted	1,102,771	4,137,644	5,240,415
Total net assets	<u>\$ 1,367,860</u>	<u>\$ 9,496,508</u>	<u>\$ 10,864,368</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Contributions
Governmental activities:				
General government	\$ (264,625)	\$ 41,496	\$	\$
Public works	(106,719)			
Police protection	(340,118)	8,554	937	
Roads	(397,597)	6,592	17,223	
Refuse	(138,303)	125,693		
Community development	(140,614)			
Cemetery	(23,160)	11,400		
Streetlights	(88,895)			
Interest on long-term debt	(14,124)			
Total governmental activities	(1,514,155)	193,735	18,160	
Business-type activities				
Sewer system	(364,108)	341,230		34,750
Water system	(264,870)	190,949		31,000
Total business-type activities	(628,978)	532,179		65,750
Total	\$ (2,143,133)	\$ 725,914	\$ 18,160	\$ 65,750

General Revenues:

Property taxes
State shared revenues
Interest income
Rental income
Other income

Total general revenues

Changes in net assets before special items

Special item - Connection and user fees repaid

Changes in net assets and special item

Net assets, June 30, 2005

Net assets, June 30, 2006

The notes are an integral part of the financial statements.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (223,129)	\$	\$ (223,129)
(106,719)		(106,719)
(330,627)		(330,627)
(373,782)		(373,782)
(12,610)		(12,610)
(140,614)		(140,614)
(11,760)		(11,760)
(88,895)		(88,895)
(14,124)		(14,124)
<u>(1,302,260)</u>		<u>(1,302,260)</u>
	11,872	11,872
	(42,921)	(42,921)
	(31,049)	(31,049)
<u>(1,302,260)</u>	<u>(31,049)</u>	<u>(1,333,309)</u>
831,677		831,677
299,254		299,254
50,838	175,393	226,231
53,137		53,137
14,701	17,209	31,910
<u>1,249,607</u>	<u>192,602</u>	<u>1,442,209</u>
(52,653)	161,553	108,900
	(103,377)	(103,377)
(52,653)	58,176	5,523
<u>1,420,513</u>	<u>9,438,332</u>	<u>10,858,845</u>
<u>\$ 1,367,860</u>	<u>\$ 9,496,508</u>	<u>\$ 10,864,368</u>

FUND
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Local Street	Highway	Other Non-Major Funds	Total
<u>ASSETS</u>					
ASSETS					
Cash and cash equivalents	\$ 457,763	\$ 183,027	\$ 92,904	\$ 433,063	\$ 1,166,757
Receivables					
Taxes	4,310		2,769	2,319	9,398
Accounts	52,102	3,967	95	4,428	60,592
State of Michigan	30,765	6,814		15,191	52,770
Due from other funds	50,814		4,001	1,200	56,015
Prepaid expenditures	34,299	1,563		1,597	37,459
Total assets	<u>\$ 630,053</u>	<u>\$ 195,371</u>	<u>\$ 99,769</u>	<u>\$ 457,798</u>	<u>\$ 1,382,991</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Accounts payable	\$ 20,222	\$ 90,699	\$ 697	\$ 63,567	\$ 175,185
Accrued interest payable				3,372	3,372
Accrued payroll and compensated absences	53,806				53,806
Due to other funds	<u>4,001</u>	11,420		26,361	41,782
Deferred revenue			<u>6,075</u>		<u>6,075</u>
Total liabilities	78,029	102,119	6,772	93,300	280,220
FUND BALANCE					
Unreserved	<u>552,024</u>	<u>93,252</u>	<u>92,997</u>	<u>364,498</u>	<u>1,102,771</u>
Total liabilities and fund balance	<u>\$ 630,053</u>	<u>\$ 195,371</u>	<u>\$ 99,769</u>	<u>\$ 457,798</u>	<u>\$ 1,382,991</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,102,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Historical cost	\$ 1,034,899	
Depreciation	<u>(392,965)</u>	
Capital assets net of depreciation		<u>641,934</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes:		
Contracts payable	(21,845)	
Bonds payable	<u>(355,000)</u>	
Total		<u>(376,845)</u>
Net assets of governmental activities		<u><u>\$ 1,367,860</u></u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Local Street	Highway	Other Non-Major Funds	Total
REVENUES					
Taxes	\$ 595,103	\$	\$ 147,513	\$ 89,061	\$ 831,677
Grant - state	5,741	5,741		6,678	18,160
Intergovernmental - state	165,987	41,270		91,997	299,254
Licenses and permits	20,499				20,499
Rental income	53,137				53,137
Charges for services	146,690		6,592	11,400	164,682
Interest	24,569	3,500	8,201	14,568	50,838
Fines and forfeitures	8,554				8,554
Miscellaneous	6,820	840	3,754	3,287	14,701
	<u>1,027,100</u>	<u>51,351</u>	<u>166,060</u>	<u>216,991</u>	<u>1,461,502</u>
Total revenues					
EXPENDITURES					
General government	264,667				264,667
Public works	113,222				113,222
Refuse	138,303				138,303
Police protection	374,106			2,700	376,806
Community development	50,452		12,613	92,549	155,614
Cemetery				21,830	21,830
Road improvements		263,419	5,461	128,717	397,597
Streetlights	22,740		66,155		88,895
	<u>963,490</u>	<u>263,419</u>	<u>84,229</u>	<u>245,796</u>	<u>1,556,934</u>
Total expenditures					
Excess of revenues over (under) expenditures	<u>63,610</u>	<u>(212,068)</u>	<u>81,831</u>	<u>(28,805)</u>	<u>(95,432)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		239,075		6,439	245,514
Transfers out	(6,439)		(239,075)		(245,514)
Proceeds from loan/lease	30,363				30,363
	<u>23,924</u>	<u>239,075</u>	<u>(239,075)</u>	<u>6,439</u>	<u>30,363</u>
Total other financing sources (uses)					
Net changes in fund balances	87,534	27,007	(157,244)	(22,366)	(65,069)
FUND BALANCE, JUNE 30, 2005	<u>464,490</u>	<u>66,245</u>	<u>250,241</u>	<u>386,864</u>	<u>1,167,840</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 552,024</u>	<u>\$ 93,252</u>	<u>\$ 92,997</u>	<u>\$ 364,498</u>	<u>\$ 1,102,771</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$	(65,069)
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows

Capital Outlay	51,863	
Depreciation expense	<u>(40,502)</u>	
Net		11,361

Repayment of bond and contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of:		
Bonds payable	15,000	
Contracts payable	<u>16,418</u>	
Total		31,418

Proceeds from long-term debt provide current financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Activities

Lease proceeds		<u>(30,363)</u>
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Change in net assets of governmental activities	\$	<u><u>(52,653)</u></u>
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The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 452,177	\$ 499,758	\$ 951,935
Special assessment receivable	264,137	166,756	430,893
Accounts receivable	133,965	70,931	204,896
Due from other funds	506	3,398	3,904
Prepaid expenses	4,043	3,452	7,495
Inventory	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total current assets	<u>854,828</u>	<u>745,495</u>	<u>1,600,323</u>
Restricted assets			
Cash and cash equivalents	<u>1,323,913</u>	<u>1,322,679</u>	<u>2,646,592</u>
Capital assets			
Land	49,682		49,682
Water and sewer systems	<u>5,374,773</u>	<u>4,085,863</u>	<u>9,460,636</u>
Net	5,424,455	4,085,863	9,510,318
Less: accumulated depreciation	<u>(1,993,598)</u>	<u>(1,337,857)</u>	<u>(3,331,455)</u>
Capital assets, net	<u>3,430,857</u>	<u>2,748,006</u>	<u>6,178,863</u>
Total assets	<u>\$ 5,609,598</u>	<u>\$ 4,816,180</u>	<u>\$ 10,425,778</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 88,678	\$ 7,278	\$ 95,956
Accrued interest payable	6,519	4,195	10,714
Due to other funds	319	1,775	2,094
Bonds payable - current portion	<u>25,000</u>	<u>15,000</u>	<u>40,000</u>
Total current liabilities	<u>120,516</u>	<u>28,248</u>	<u>148,764</u>
Long-term liabilities			
Bonds payable - less current portion	<u>515,000</u>	<u>265,000</u>	<u>780,000</u>
Total liabilities	<u>635,516</u>	<u>293,248</u>	<u>928,764</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,430,857	2,748,006	6,178,863
Unrestricted	<u>1,542,719</u>	<u>1,774,926</u>	<u>3,317,645</u>
Total net assets	<u>\$ 4,973,576</u>	<u>\$ 4,522,932</u>	<u>\$ 9,496,508</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Total
OPERATING REVENUES			
Charges for services	\$ 341,230	\$ 190,949	\$ 532,179
OPERATING EXPENSES	<u>336,858</u>	<u>247,425</u>	<u>584,283</u>
Operating income (loss)	<u>4,372</u>	<u>(56,476)</u>	<u>(52,104)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	89,535	85,858	175,393
Interest expense	(27,250)	(17,444)	(44,694)
Other	<u>6,470</u>	<u>10,738</u>	<u>17,208</u>
Net non-operating revenues	<u>68,755</u>	<u>79,152</u>	<u>147,907</u>
Income before capital contributions and special items	73,127	22,676	95,803
CAPITAL CONTRIBUTIONS			
Connection fees	34,750	31,000	65,750
SPECIAL ITEMS			
Connection and user fees repaid	<u>(103,377)</u>	<u></u>	<u>(103,377)</u>
Net income	4,500	53,676	58,176
NET ASSETS AT JUNE 30, 2005	<u>4,969,076</u>	<u>4,469,256</u>	<u>9,438,332</u>
NET ASSETS AT JUNE 30, 2006	<u>\$ 4,973,576</u>	<u>\$ 4,522,932</u>	<u>\$ 9,496,508</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF CASH FLOWS
PROPREITARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Total
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from users	\$ 342,059	\$ 178,996	\$ 521,055
Cash payments to suppliers	(107,621)	(136,129)	(243,750)
Net cash from operating activities	234,438	42,867	277,305
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received	34,750	31,000	65,750
Connection fees repaid	(103,377)		(103,377)
Purchase of fixed assets	(143,882)	(23,068)	(166,950)
Proceeds from sale of fixed assets	24,492	5,100	29,592
Special assessments collected		49,344	49,344
Repayment of bonds	(25,000)	(15,000)	(40,000)
Interest paid	(27,544)	(18,065)	(45,609)
Net cash from (used in) capital and related financing activities	(240,561)	29,311	(211,250)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and investments	89,535	61,692	151,227
Net increase in cash and cash equivalents	83,412	133,870	217,282
CASH AND CASH EQUIVALENTS AT JUNE 30, 2005	<u>1,692,678</u>	<u>1,688,567</u>	<u>3,381,245</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2006	<u>\$ 1,776,090</u>	<u>\$ 1,822,437</u>	<u>\$ 3,598,527</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 4,372	\$ (56,476)	\$ (52,104)
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Miscellaneous income/expenses	6,470	6,038	12,508
Depreciation	145,874	109,320	255,194
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	829	(11,953)	(11,124)
(Increase) decrease in prepaid expenses	2,832	2,910	5,742
(Increase) decrease in due from other funds	481	(3,371)	(2,890)
Increase (decrease) in accounts payable	73,580	(2,849)	70,731
Increase (decrease) in due to other funds		(752)	(752)
Total adjustments	230,066	99,343	329,409
Net cash from (used in) operating activities	<u>\$ 234,438</u>	<u>\$ 42,867</u>	<u>\$ 277,305</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2006

	Current Tax Collection	Trust and Agency	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$	\$ 53,546	\$ 53,546
Due from other funds		240	240
Total assets	\$	\$ 53,786	\$ 53,786
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$	\$ 38,009	\$ 38,009
Due to other funds		15,777	15,777
Total liabilities	\$	\$ 53,786	\$ 53,786

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Village relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Village are described below.

A. FINANCIAL REPORTING ENTITY

The Village of Pinckney was incorporated in 1895 as a general law Village, under the provision of Public Act 3 of 1895. The Village operates under a council form of government and provides the following services as authorized by its charter; public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administration services.

The following related organization has been determined as not meeting the criteria as a component unit:

Pinckney Community Public Library

In accordance with the GASB Statement 39, all funds, agencies and activities of the Village of Pinckney have been included in the financial statements, except as noted in Note 13.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Village as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

The government-wide Statement of Net Assets reports all financial and capital resources of the Village (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Village would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Village are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements. The Village has only included the minimum amount of funds meeting the criteria as a major fund.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Local Street Fund accounts for all the activity associated with maintaining the Village's local streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the Village.

The Highway Fund accounts for the property taxes and subsequent transfer of funds to maintain the streets of the Village.

The Village reports the following major enterprise funds:

The Sewage Disposal Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The Village Water Fund accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Village's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the Village is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Village to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Village has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Village in a trustee or agency capacity on behalf of others and, therefore, are not available to support Village programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Village available to support Village programs. The Village currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Village) are defined as assets with an initial, individual cost of more than \$5,000) and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered capital assets regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

The Village does not depreciate public domain infrastructure. Amounts are recorded as expenditures as resources are used for construction and maintenance. Historical cost and fair market value of infrastructure is not available.

E. BUDGETARY DATA

The Village council follows the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget committee prepares the annual budgets. The proposed budget is then submitted for discussion and approved by the entire Village council. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Village council at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

For the year ended June 30, 2006, expenditures exceeded appropriations in several functional activities.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY TAXES

Village taxes are levied each July 1 and are payable without penalty through September 14. Property tax revenues are recognized as revenue in the fiscal year levied to the extent that they are measurable and available. The delinquent real property taxes of the Village of Pinckney are purchased by Livingston County. The county paid the Village the delinquent real taxes in October 2005.

The 2005 taxable valuation of the Township totaled \$ 73,423,840.

The Township levies the following millage:

General Township	8.0000
Highway	<u>2.0000</u>
Total millage	<u>10.0000</u>

G. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

I. RISK MANAGEMENT

The Village is exposed to various risks of loss pertaining to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

J. ACCRUED COMPENSATED ABSENCES

It is the Village's personnel practice to grant vacation and sick pay according to years of service. Employees are allowed to accrue sick pay from year to year up to 90 days. Vacation days must be used in the year they are earned and do not carryover year to year. The Village has accrued the following amount in the general fund as of June 30, 2006.

Accrued sick and vacation time	<u>\$ 53,806</u>
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VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

K. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

L. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

M. INCOME TAXES

As a governmental agency, the Village is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations to the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village maintains an imprest petty cash account in the amount of \$300.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	<u>4,464,984</u>	<u>53,546</u>	<u>4,518,530</u>	<u>4,525,663</u>
Total deposits	<u>\$ 4,764,984</u>	<u>\$ 53,546</u>	<u>\$ 4,818,530</u>	<u>\$ 4,825,663</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at June 30, 2006. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at June 30, 2006 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General Fund	\$ 15,683	Major Street Fund	\$ 15,683
General Fund	11,257	Trust and Agency Fund	11,257
General Fund	11,136	Local Street Fund	11,136
General Fund	10,378	Downtown Development Authority Fund	10,378
General Highway Fund	4,001	General Fund	4,001
Water Fund - Village	3,320	Trust and Agency Fund	3,320
General Fund	1,775	Water Fund - Village	1,775
Cemetery Fund	1,200	Trust and Agency Fund	1,200
General Fund	585	Sewer Disposal System Fund	585
Sewer Disposal System Fund	266	Local Street Fund	266
Sewer Disposal System Fund	240	Major Street Fund	240
Trust and Agency Fund	240	Sewer Disposal System Fund	240
Water Fund - Village	60	Major Street Fund	60
Water Fund - Village	18	Local Street Fund	18
	<u>\$ 60,159</u>		<u>\$ 60,159</u>

NOTE 4 - OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted and reported separate from revenues and expenditures as transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund. The Village also records all proceeds from the issuance of debt instruments as other financing sources in the fund financial statements.

NOTE 5 - PENSION PLAN

Plan Description - The Village of Pinckney participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 15, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget. The Village has no fiduciary responsibility for the plan. All full-time employees of the Village are eligible to participate in the plan immediately upon employment.

As of June 30, 2006, the Village had ten covered employees and twenty-seven total employees. Covered and total payrolls for the year then ended were \$400,727 and \$493,679 respectively.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - PENSION PLAN – (continued)

The Village is covered under benefit program B-2. The plan provides for vesting of benefits after ten years of service. Participants may elect normal retirement at age 60, with 10 or more years of service. The plan also provides for early retirement at age 55, with 15 or more years of service, and at age 50 with 25 or more years of service.

Employees contribute 4% of all wages per calendar year.

The Village currently has one retirant beneficiary in the plan.

The following information, which is the most current available, was extracted from the Village's actuarial consultants, Gabriel, Roeder, Smith & Company in their report released in July 2005. The amount disclosed as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (a) help users assess the plan's funding status on a going-concern basis, (b) assess progress being made in accumulating sufficient assets to pay benefits when due, and (c) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement.

At January 1, 2005, the unfunded pension benefit obligation was \$271,442, determined as follows:

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits	\$ 200,230
Terminated employees not yet receiving benefits	15,057
Non-vested terminated employees	9,298
Current employees	
Accumulated employee contribution, including	
allocated investment income	184,614
Employer financed	<u>940,413</u>
 Total pension benefit obligation	 1,349,612
 Net assets available for benefits, at cost	
(at market \$1,052,422)	<u>1,078,170</u>
 Unfunded pension benefit obligation	 <u><u>\$ 271,442</u></u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - PENSION PLAN - (continued)

During the year ended December 31, 2004, the plan experienced a net change of \$10,167 in the unfunded pension benefit obligation. The combined change in the pension benefit obligation resulting from benefit changes, if any, and revisions in actuarial assumptions is \$-0-.

Analysis of Funding Progress

Valuation Date December 31	Net Assets Available for Benefits	Pension Benefit Obligation (PBO)	Percent Funded (1)/(2)	Unfunded (Overfunded) PBO (2)-(1)	Annual Covered Payroll
1982	35,338	26,933	131	(8,405)	55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,441	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
2000	658,487	783,133	84	124,646	385,905
2001	748,977	1,062,664	70	313,687	390,220
2002	828,295	1,090,530	76	262,235	395,617
2003	959,169	1,220,444	79	261,275	392,617
2004	1,078,170	1,349,612	80	271,442	405,062

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - LONG-TERM OBLIGATIONS

The Village's long-term obligations as of June 30, 2006, and transactions during the year then ended, are as follows:

Governmental Funds

- On September 1, 2004, the Village issued \$370,000 of general obligation bonds for the Downtown Development Authority. The bonds mature in October 2019 and require an annual payment of principal and interest. As of June 30, 2006, the outstanding balance was \$355,000 with an interest rate ranging for 3% to 5%.
- The Village entered into a note payable with National City to finance the purchase of a DPW truck. The note calls for annual payments of \$8,297 with an interest rate of 2.52% included with annual payment. The note matured during the year ended June 30, 2006 with a balance of \$0 on June 30, 2006.
- The Village entered into a capital lease with Government Leasing Company to finance the purchase of a police car. The lease calls for annual payment of \$8,518 with an imputed interest rate of 8.27% included with annual payment. The note matures during the year ended June 30, 2009 with a balance of \$21,845 on June 30, 2006.

Proprietary Funds

- On April 1, 1999, the Village issued general obligation bonds to finance sewage treatment system. The bonds mature in April 2019 and require an annual payment of principal and interest. As of June 30, 2006, the outstanding balance was \$540,000 with an interest rate ranging from 4.8% to 5%.
- On October 1, 1997, the Village issued general obligation bonds to finance the cost of the water system at Portage Dells. The bonds mature in April 2017 and require an annual payment of principal and interest. As of June 30, 2006, the outstanding balance was \$280,000 with an interest rate ranging from 5.95% to 6%.

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - LONG-TERM OBLIGATIONS - (continued)

<u>Governmental Funds</u>	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Bonds payable	\$ 370,000		\$ 15,000	\$ 355,000
National City Bank	7,900		7,900	
Government Leasing Company		30,363	8,518	21,845
Total governmental fund long-term debt	<u>\$ 377,900</u>	<u>\$ 30,363</u>	<u>\$ 31,418</u>	<u>\$ 376,845</u>
<u>Enterprise Funds</u>				
1997 Portage Dells Special Assessment Limited Tax Bonds interest is charged at 6%	\$ 295,000	\$	\$ 15,000	\$ 280,000
1998 Sewer Special Assessment limited tax bonds, interest is charged at 4.8% to 5.0%	565,000		25,000	540,000
Total enterprise fund	<u>\$ 860,000</u>	<u>\$</u>	<u>\$ 40,000</u>	<u>\$ 820,000</u>

The following is a schedule of principal and interest payments to service the long-term obligations of the Village:

	Bonds Payable 1997 Sewer		Bonds Payable 1997 Water		Bonds Payable 2004 Downtown Development		Capital Lease Police Car	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006-2007	\$ 25,000	\$ 26,075	\$ 20,000	\$ 16,780	\$ 15,000	\$ 13,236	\$ 6,711	\$ 1,807
2007-2008	30,000	24,900	20,000	15,600	15,000	12,735	7,266	1,252
2008-2009	30,000	23,490	20,000	14,400	20,000	12,188	7,868	650
2009-2010	35,000	22,080	20,000	13,200	20,000	11,588		
2010-2011	35,000	20,435	25,000	12,000	20,000	10,973		
2011-2016	215,000	75,227	140,000	36,600	125,000	42,670		
2016-2020	170,000	17,223	35,000	2,100	140,000	12,742		
Total	<u>\$ 540,000</u>	<u>\$ 209,430</u>	<u>\$ 280,000</u>	<u>\$ 110,680</u>	<u>\$ 355,000</u>	<u>\$ 116,132</u>	<u>\$ 21,845</u>	<u>\$ 3,709</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7 - GOVERNMENTAL FUND CAPITAL ASSETS

Capital asset activity for the governmental fund for the year ended June 30, 2006 was as follows:

A summary of changes in governmental fund capital assets is as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Land	\$ 35,805	\$	\$	\$ 35,805
Buildings and improvements	591,582			591,582
Machinery and equipment	356,649	51,863	(1,000)	407,512
	<u>984,036</u>	<u>51,863</u>	<u>(1,000)</u>	<u>1,034,899</u>
Total capital assets				
	984,036	51,863	(1,000)	1,034,899
Accumulated depreciation	(353,463)	(40,502)	1,000	(392,965)
	<u>(353,463)</u>	<u>(40,502)</u>	<u>1,000</u>	<u>(392,965)</u>
Governmental activities				
capital assets, net	\$ 630,573	\$ 11,361	\$	\$ 641,934
	<u>\$ 630,573</u>	<u>\$ 11,361</u>	<u>\$</u>	<u>\$ 641,934</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Village utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$376,845 of debt associated with these capital assets.

NOTE 8 - CHANGES IN PROPRIETARY CAPITAL ASSETS

A summary of changes in proprietary fixed assets is as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Land				
Property, plant and equipment				
- sewer	\$ 5,280,572	\$ 143,883	\$	\$ 5,424,455
Property, plant and equipment				
- water	4,084,581	23,068	(21,786)	4,085,863
	<u>9,365,153</u>	<u>166,951</u>	<u>(21,786)</u>	<u>9,510,318</u>
Less accumulated depreciation	(3,098,047)	(255,194)	21,786	(3,331,455)
	<u>(3,098,047)</u>	<u>(255,194)</u>	<u>21,786</u>	<u>(3,331,455)</u>
Net	\$ 6,267,106	\$ (88,243)	\$	\$ 6,178,863
	<u>\$ 6,267,106</u>	<u>\$ (88,243)</u>	<u>\$</u>	<u>\$ 6,178,863</u>

VILLAGE OF PINCKNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The indirect method was utilized to present cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Current assets		
Cash	\$ 851,909	\$ 951,935
Restricted assets		
Cash	<u>2,529,336</u>	<u>2,646,592</u>
Cash	<u>\$ 3,381,245</u>	<u>\$ 3,598,527</u>

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two enterprise funds, which provide water and sewer services. Segment information for the year ended June 30, 2006, was as follows:

	<u>Sewage Disposal System Fund</u>	<u>Water Fund Village</u>
Operating revenues	\$ 341,230	\$ 172,491
Depreciation	145,874	109,320
Operating income (loss)	4,372	(74,935)
Non-operating revenues	68,755	79,152
Net income	4,500	53,676
Total assets	5,609,598	4,816,180
Accounts payable	88,678	7,278
Net assets	4,973,576	4,522,932

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 595,103	\$
State shared revenues			165,987	
Charges for services				
Refuse collection			125,693	
Tower rental			53,137	
Interest			24,569	
Refunds and reimbursements			20,997	
Cable TV			10,909	
Fines and forfeitures				
District and local court fines			8,554	
Licenses and permits				
Zoning			7,800	
Site			1,790	
State grant			5,741	
Other revenues				
Miscellaneous			6,820	
Total revenues	1,007,939	1,007,939	1,027,100	19,161
EXPENDITURES	953,362	1,025,901	963,490	62,411
Excess of revenues over (under) expenditures	54,577	(17,962)	63,610	81,572
OTHER FINANCING SOURCES (USES)				
Proceeds from loan/lease			30,363	
Transfers (out)	(52,580)	(7,400)	(6,439)	
Total other financing sources(uses)	(52,580)	(7,400)	23,924	31,324
Net change in fund balance	1,997	(25,362)	87,534	112,896
FUND BALANCE, JUNE 30, 2005	464,490	464,490	464,490	
FUND BALANCE, JUNE 30, 2006	\$ 466,487	\$ 439,128	\$ 552,024	\$ 112,896

VILLAGE OF PINCKNEY
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Michigan Vehicle Highway Fund	\$	\$	\$ 41,270	\$
Grant revenue			5,741	
Interest income			3,500	
Other income			840	
Total revenues	39,000	42,000	51,351	9,351
EXPENDITURES				
Contracted construction			190,055	
Engineering Fees			34,589	
Labor usage costs			23,914	
Equipment usage costs			10,407	
Insurance			3,199	
Licenses and permits			500	
Wages			250	
Miscellaneous			39	
Printing and publishing			466	
Total expenditures	287,572	386,497	263,419	123,078
Excess of revenues over (under) expenditures	(248,572)	(344,497)	(212,068)	132,429
OTHER FINANCING SOURCES(USES)				
Transfers in	239,075	289,075	239,075	(50,000)
Net change in fund balance	(9,497)	(55,422)	27,007	82,429
FUND BALANCE, JUNE 30, 2005	66,245	66,245	66,245	
FUND BALANCE, JUNE 30, 2006	\$ 56,748	\$ 10,823	\$ 93,252	\$ 82,429

VILLAGE OF PINCKNEY
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 147,513	\$
Interest			8,201	
Right of way fees			6,592	
Sidewalk reimbursements			3,754	
Total revenues	156,818	162,853	166,060	3,207
EXPENDITURES				
Street lighting			66,155	
Downtown Development Authority			12,613	
Sidewalks utilities			4,582	
Labor usage			871	
Miscellaneous			8	
Total expenditures	82,925	84,268	84,229	39
Excess of revenues over (under) expenditures	73,893	78,585	81,831	3,246
OTHER FINANCING SOURCES (USES)				
Transfers out	(239,075)	(289,075)	(239,075)	50,000
Net change in fund balance	(165,182)	(210,490)	(157,244)	53,246
FUND BALANCE, JUNE 30, 2005	250,241	250,241	250,241	
FUND BALANCE, JUNE 30, 2006	\$ 85,059	\$ 39,751	\$ 92,997	\$ 53,246

VILLAGE OF PINCKNEY
SCHEDULES OF PENSION FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements.

Analysis of Funding Progress

Valuation Date December 31	Net Assets Available for Benefits	Pension Benefit Obligation (PBO)	Percent Funded (1)/(2)	Unfunded (Overfunded) PBO (2)-(1)	Annual Covered Payroll
1982	35,338	26,933	131	(8,405)	55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,441	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
2000	658,487	783,133	84	124,646	385,905
2001	748,977	1,062,664	70	313,687	390,220
2002	828,295	1,090,530	76	262,235	395,617
2003	959,169	1,220,444	79	261,275	392,617
2004	1,078,170	1,349,612	80	271,442	405,062

SUPPLEMENTARY INFORMATION

COMBINING
FINANCIAL
STATEMENTS

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2006

	Major Street	Local Street	Highway	Downtown Development Authority
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 150,797	\$ 183,027	\$ 92,904	\$ 167,571
Accounts receivable - other	3,902	3,967	95	262
Property taxes receivable			2,769	2,319
M.V.H.V receivable	15,191	6,814		
Prepaid expenditures	1,313	1,563		7
Due to other funds			4,001	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 171,203</u>	<u>\$ 195,371</u>	<u>\$ 99,769</u>	<u>\$ 170,159</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 42,309	\$ 90,699	\$ 697	\$ 20,870
Accrued interest payable				3,372
Due to other funds	15,983	11,420		10,378
Deferred revenue			6,075	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	58,292	102,119	6,772	34,620
FUND BALANCE	<u>112,911</u>	<u>93,252</u>	<u>92,997</u>	<u>135,539</u>
Total liabilities and fund balance	<u>\$ 171,203</u>	<u>\$ 195,371</u>	<u>\$ 99,769</u>	<u>\$ 170,159</u>

Cemetery	Police Training	Drug Law Enforcement	Police Reserves	Local Improvement	Totals
\$ 61,473	\$ 1,493	\$ 1,180	\$ 1,086	\$ 49,463	\$ 708,994
249				15	8,490
					5,088
					22,005
277					3,160
1,200					5,201
<u>\$ 63,199</u>	<u>\$ 1,493</u>	<u>\$ 1,180</u>	<u>\$ 1,086</u>	<u>\$ 49,478</u>	<u>\$ 752,938</u>
\$ 169	\$ 210	\$	\$ 9	\$	\$ 154,963
					3,372
					37,781
					6,075
169	210		9		202,191
63,030	1,283	1,180	1,077	49,478	550,747
<u>\$ 63,199</u>	<u>\$ 1,493</u>	<u>\$ 1,180</u>	<u>\$ 1,086</u>	<u>\$ 49,478</u>	<u>\$ 752,938</u>

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Totals
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 452,177	\$ 499,758	\$ 951,935
Accounts receivable – billings	133,965	70,931	204,896
Prepaid expenses	4,043	3,452	7,495
Special assessment receivable	264,137	166,756	430,893
Inventory		1,200	1,200
Due from other funds	506	3,398	3,904
	<u>854,828</u>	<u>745,495</u>	<u>1,600,323</u>
Total current assets			
RESTRICTED ASSETS			
Cash - bond and interest redemption		181,406	181,406
Cash - special assessments	322,317		322,317
Cash - capital replacement	1,001,596	796,362	1,797,958
Cash - construction		344,911	344,911
	<u>1,323,913</u>	<u>1,322,679</u>	<u>2,646,592</u>
Total restricted assets			
PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	5,424,455	4,085,863	9,510,318
Less: accumulated depreciation	(1,993,598)	(1,337,857)	(3,331,455)
	<u>3,430,857</u>	<u>2,748,006</u>	<u>6,178,863</u>
Net property, plant and equipment			
Total assets	<u>\$ 5,609,598</u>	<u>\$ 4,816,180</u>	<u>\$ 10,425,778</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 88,678	\$ 7,278	\$ 95,956
Accrued interest payable	6,519	4,195	10,714
Bonds payable		280,000	280,000
Payable from restricted assets			
Bonds payable	540,000		540,000
Due to other funds	825	1,775	2,600
	<u>636,022</u>	<u>293,248</u>	<u>929,270</u>
Total liabilities			
FUND EQUITY	<u>4,973,576</u>	<u>4,522,932</u>	<u>9,496,508</u>
Total liabilities and fund equity	<u>\$ 5,609,598</u>	<u>\$ 4,816,180</u>	<u>\$ 10,425,778</u>

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2006

		Current Tax Collection	Trust and Agency	Totals
	<u>ASSETS</u>			
ASSETS				
	Cash and cash equivalents	\$	\$ 53,546	\$ 53,546
	Due from other funds		240	240
	Total assets	\$	\$ 53,786	\$ 53,786
	<u>LIABILITIES</u>			
LIABILITIES				
	Due to others	\$	\$ 38,009	\$ 38,009
	Due to other funds		15,777	15,777
	Total liabilities	\$	\$ 53,786	\$ 53,786

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Major Street	Local Street	Highway	Downtown Development Authority
REVENUES				
Fees	\$	\$	\$ 6,592	\$
Taxes			147,513	89,061
Intergovernmental - state and local	97,738	47,011		
Interest	5,551	3,500	8,201	4,393
Miscellaneous	335	840	3,754	762
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>103,624</u>	<u>51,351</u>	<u>166,060</u>	<u>94,216</u>
EXPENDITURES				
Community development			12,613	92,549
Cemetery				
Highways and streets	128,717	263,419	71,616	
Law enforcement				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>128,717</u>	<u>263,419</u>	<u>84,229</u>	<u>92,549</u>
Excess of revenues over (under) expenditures	<u>(25,093)</u>	<u>(212,068)</u>	<u>81,831</u>	<u>1,667</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		239,075		
Transfers out			(239,075)	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u> </u>	<u>239,075</u>	<u>(239,075)</u>	<u> </u>
Net changes in fund balances	<u>(25,093)</u>	<u>27,007</u>	<u>(157,244)</u>	<u>1,667</u>
FUND BALANCE, JUNE 30, 2005	<u>138,004</u>	<u>66,245</u>	<u>250,241</u>	<u>133,872</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 112,911</u>	<u>\$ 93,252</u>	<u>\$ 92,997</u>	<u>\$ 135,539</u>

Cemetery	Police Training	Drug Law Enforcement	Police Reserves	Local Improvement	Totals
\$ 11,400	\$	\$	\$	\$	\$ 17,992
					236,574
	937				145,686
2,737	49	48	37	1,753	26,269
33		126	2,031		7,881
<u>14,170</u>	<u>986</u>	<u>174</u>	<u>2,068</u>	<u>1,753</u>	<u>434,402</u>
					105,162
21,830					21,830
					463,752
	1,109	600	991		2,700
<u>21,830</u>	<u>1,109</u>	<u>600</u>	<u>991</u>		<u>593,444</u>
<u>(7,660)</u>	<u>(123)</u>	<u>(426)</u>	<u>1,077</u>	<u>1,753</u>	<u>(159,042)</u>
				6,439	245,514
					(239,075)
				6,439	6,439
(7,660)	(123)	(426)	1,077	8,192	(152,603)
<u>70,690</u>	<u>1,406</u>	<u>1,606</u>		<u>41,286</u>	<u>703,350</u>
<u>\$ 63,030</u>	<u>\$ 1,283</u>	<u>\$ 1,180</u>	<u>\$ 1,077</u>	<u>\$ 49,478</u>	<u>\$ 550,747</u>

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Totals
OPERATING REVENUES			
Charges for services	\$ 341,230	\$ 190,949	\$ 532,179
OPERATING EXPENSES	<u>336,858</u>	<u>247,425</u>	<u>584,283</u>
Operating income	<u>4,372</u>	<u>(56,476)</u>	<u>(52,104)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	89,535	85,858	175,393
Interest (expense)	(27,250)	(17,444)	(44,694)
Other	<u>6,470</u>	<u>10,738</u>	<u>17,208</u>
Net non-operating revenues	<u>68,755</u>	<u>79,152</u>	<u>147,907</u>
Income before capital contributions	<u>73,127</u>	<u>22,676</u>	<u>95,803</u>
CAPITAL CONTRIBUTIONS			
Connection fees	34,750	31,000	65,750
SPECIAL ITEM			
Connection and user fees repaid	<u>(103,377)</u>	<u></u>	<u>(103,377)</u>
Net income	4,500	53,676	58,176
RETAINED EARNINGS, JUNE 30, 2005	<u>4,969,076</u>	<u>4,469,256</u>	<u>9,438,332</u>
RETAINED EARNINGS, JUNE 30, 2006	<u><u>\$ 4,973,576</u></u>	<u><u>\$ 4,522,932</u></u>	<u><u>\$ 9,496,508</u></u>

VILLAGE OF PINCKNEY
COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sewage Disposal System	Water Fund Village	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 4,372	\$ (56,476)	\$ (52,104)
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Other income/expenses	6,470	6,038	12,508
Depreciation	145,874	109,320	255,194
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	829	(11,953)	(11,124)
Decrease in prepaid expenses	2,832	2,910	5,742
(Increase) decrease in due from other funds	481	(3,371)	(2,890)
Increase (decrease) in accounts payable	73,580	(2,849)	70,731
(Decrease) in due to other funds		(752)	(752)
Total adjustments	230,066	99,343	329,409
Net cash from operating activities	234,438	42,867	277,305
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received	34,750	31,000	65,750
Connection fee repaid	(103,377)		(103,377)
Purchase of fixed assets	(143,882)	(23,068)	(166,950)
Proceeds from sale of fixed assets		5,100	5,100
Special assessments collected	24,492	49,344	73,836
Repayment of bonds	(25,000)	(15,000)	(40,000)
Interest paid	(27,544)	(18,065)	(45,609)
Net cash from (used in) capital and related financing activities	(240,561)	29,311	(211,250)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and investments	89,535	61,692	151,227
Net increase in cash and cash equivalents	83,412	133,870	217,282
CASH AND CASH EQUIVALENTS AT JUNE 30, 2005	1,692,678	1,688,567	3,381,245
CASH AND CASH EQUIVALENTS AT JUNE 30, 2006	\$ 1,776,090	\$ 1,822,437	\$ 3,598,527

INDIVIDUAL
FUNDS

GENERAL
FUND

VILLAGE OF PINCKNEY
GENERAL FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 457,763	
Delinquent personal property taxes receivable	4,310	
State shared revenues receivable	30,765	
Accounts receivable	52,102	
Prepaid expenditures	34,299	
Due from other funds	<u>50,814</u>	
Total assets		\$ <u>630,053</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 20,222	
Due to other funds	4,001	
Accrued payroll and compensated absences	<u>53,806</u>	
Total liabilities		78,029

FUND BALANCE

		<u>552,024</u>
Total liabilities and fund balance		\$ <u>630,053</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 595,103	\$
State shared revenues		165,987	
Charges for services			
Refuse collection		125,693	
Tower rental		53,137	
Interest		24,569	
Refunds and reimbursements		20,997	
Cable TV		10,909	
Fines and forfeitures			
District and local court fines		8,554	
Licenses and permits			
Zoning		7,800	
Site		1,790	
State grant		5,741	
Other revenues			
Miscellaneous		6,820	
	<u>1,007,939</u>	<u>1,027,100</u>	<u>19,161</u>
EXPENDITURES	<u>1,025,901</u>	<u>963,490</u>	<u>62,411</u>
Excess of revenues over (under) expenditures	<u>(17,962)</u>	<u>63,610</u>	<u>81,572</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from loan/lease		30,363	30,363
Transfers (out)	<u>(7,400)</u>	<u>(6,439)</u>	<u>961</u>
Total other financng sources(uses)	<u>(7,400)</u>	<u>23,924</u>	<u>31,324</u>
Net change in fund balance	<u>(25,362)</u>	<u>87,534</u>	<u>112,896</u>
FUND BALANCE, JUNE 30, 2005	<u>464,490</u>	<u>464,490</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 439,128</u>	<u>\$ 552,024</u>	<u>\$ 112,896</u>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Village council			
Wages	\$	\$ 7,200	\$
Payroll taxes		597	
Insurance		242	
Printing and publishing		80	
Supplies		40	
	<hr/>	<hr/>	<hr/>
Total Village council	8,294	8,159	135
	<hr/>	<hr/>	<hr/>
Village president			
Wages		20,000	
Payroll taxes		1,530	
Telephone		454	
Dues and subscriptions		250	
Equipment and tools		81	
Insurance		72	
Mileage		47	
	<hr/>	<hr/>	<hr/>
Total Village president	22,389	22,434	(45)
	<hr/>	<hr/>	<hr/>
Village - general			
Legal fees		26,693	
Insurance		14,406	
Storm water project		11,648	
Printing and publishing		9,246	
Utilities		4,753	
Auditors		4,000	
Supplies		2,903	
Contracting services		2,728	
Computer supplies and software		2,509	
Telephone and internet		2,294	
Retiree benefits		2,226	
Dues and subscriptions		1,327	
Repair and maintenance		1,195	
Postage		1,092	
Office equipment and copier		893	
Tax charge backs		41	
Convention and meetings		12	
Miscellaneous		6	
	<hr/>	<hr/>	<hr/>
Total Village - general	97,732	87,972	9,760
	<hr/>	<hr/>	<hr/>

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Village clerk			
Wages		28,500	
Payroll taxes		2,180	
Seminars and training		530	
Telephone		437	
Research		143	
Mileage reimbursement		136	
Insurance		86	
Equipment and tools		81	
Dues and subscriptions		70	
	<u>32,068</u>	<u>32,163</u>	<u>(95)</u>
Total Village clerk			
Village secretary			
Wages		12,832	
Payroll taxes		1,806	
Insurance		1,378	
Pension		1,104	
	<u>26,002</u>	<u>17,120</u>	<u>8,882</u>
Total Village secretary			
Village treasurer			
Wages		43,281	
Insurance		6,139	
Pension		4,605	
Payroll taxes		3,504	
Dues and subscriptions		10	
	<u>57,906</u>	<u>57,539</u>	<u>367</u>
Total Village treasurer			
Village grounds and building			
Equipment and tools		3,689	
Postage		3,619	
Printing and publishing		1,380	
Property taxes		474	
Supplies		261	
Contracted services		159	
Repairs and maintenance		122	
Insurance		100	
Legal Fees		14	
	<u>30,713</u>	<u>9,818</u>	<u>20,895</u>
Total Village grounds and building			

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Village police department			
Wages		180,431	
Payroll taxes		66,580	
Insurance		30,363	
Seminars and training		21,028	
Postage		16,961	
Mileage reimbursements		15,683	
Printing and publishing		10,532	
Miscellaneous		8,638	
Car lease		8,518	
Debt service		5,784	
Interest		2,796	
Pension		2,074	
Office supplies		1,567	
Forms, citations, books, etc.		965	
Legal fees		685	
Membership dues		386	
Telephone and internet		259	
Radio services		250	
Fuels and lubricants		236	
Repairs and maintenance		212	
Uniforms, boots, etc.		60	
Small tools and equipment		58	
Computer supplies and software		32	
Capital outlay		8	
	<u>350,000</u>	<u>374,106</u>	<u>(24,106)</u>
Total Village police department			
Village zoning administrator			
Wages		7,937	
Payroll taxes		2,562	
Labor usage		681	
Insurance		380	
Printing and publishing		256	
Equipment and tools		226	
Supplies		11	
	<u>12,440</u>	<u>12,053</u>	<u>387</u>
Total Village zoning administrator			

VILLAGE OF PINCKNEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Village DPW			
Wages		188,066	
Insurance		50,164	
Pension		19,733	
Payroll taxes		15,367	
Debt service		7,900	
Fuels and lubricants		7,331	
Capital outlay		4,189	
Repairs and maintenance		3,406	
Uniforms		3,051	
Telephone and internet		2,518	
Equipment usage		2,477	
Utilities		2,149	
Small tools and equipment		1,878	
Refuse container		768	
Supplies		701	
Interest		197	
Printing and publishing		125	
Computer supplies		112	
Reimbursements - equipment hours		(26,180)	
Reimbursements - wages		(170,730)	
	<u>161,884</u>	<u>113,222</u>	<u>48,662</u>
Total Village DPW			
	<u>161,884</u>	<u>113,222</u>	<u>48,662</u>
Village disposal service	<u>138,543</u>	<u>138,303</u>	<u>240</u>
Village planning commission			
Wages		5,433	
Legal fees		3,932	
Printing and publishing		3,462	
Contracted services		3,224	
Training		524	
Payroll taxes		416	
Supplies		398	
Insurance		20	
	<u>17,850</u>	<u>17,409</u>	<u>441</u>
Total Village planning commission			
	<u>17,850</u>	<u>17,409</u>	<u>441</u>
Street lights	<u>23,000</u>	<u>22,740</u>	<u>260</u>
Downtown Development Authority	<u>47,080</u>	<u>50,452</u>	<u>(3,372)</u>
Total Village expenditures	<u>\$ 1,025,901</u>	<u>\$ 963,490</u>	<u>\$ 62,411</u>

MAJOR
STREET
FUND

VILLAGE OF PINCKNEY
MAJOR STREET FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 150,797	
Michigan Vehicle Highway Fund		
Fund receivable	15,191	
Accounts receivable	3,902	
Prepaid expenditures	<u>1,313</u>	
Total assets		<u>\$ 171,203</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 42,309	
Due to other funds	<u>15,983</u>	
Total liabilities		\$ 58,292

FUND BALANCE

		<u>112,911</u>
Total liabilities and fund balance		<u>\$ 171,203</u>

VILLAGE OF PINCKNEY
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 91,997	\$
Grant revenue		5,741	
Interest income		5,551	
Other income		335	
	<u>88,500</u>	<u>103,624</u>	<u>15,124</u>
Total revenues			
EXPENDITURES			
Contracted construction		107,430	
Labor usage costs		11,225	
Equipment usage costs		6,156	
Insurance		3,132	
Licenses and permits		500	
Wages		250	
Payroll taxes		19	
Printing and publishing		5	
	<u>118,083</u>	<u>128,717</u>	<u>(10,634)</u>
Total expenditures			
Excess of revenues over (under) expenditures	(29,583)	(25,093)	4,490
FUND BALANCE, JUNE 30, 2005	<u>138,004</u>	<u>138,004</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 108,421</u>	<u>\$ 112,911</u>	<u>\$ 4,490</u>

LOCAL
STREET
FUND

VILLAGE OF PINCKNEY
LOCAL STREET FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 183,027	
Michigan Vehicle Highway Fund		
Fund receivable	6,814	
Accounts receivable	3,967	
Prepaid expenditures	<u>1,563</u>	
Total assets		<u>\$ 195,371</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 90,699	
Due to other funds	<u>11,420</u>	
Total liabilities		\$ 102,119

FUND BALANCE

		<u>93,252</u>
Total liabilities and fund balance		<u>\$ 195,371</u>

VILLAGE OF PINCKNEY
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 41,270	\$
State grant		5,741	
Interest		3,500	
Refunds and reimbursements		840	
Total revenues	42,000	51,351	9,351
EXPENDITURES			
Contracted construction		190,055	
Engineering fees		34,589	
Labor usage costs		23,914	
Equipment usage costs		10,407	
Insurance		3,199	
Licenses and permits		500	
Printing and publishing		466	
Wages		250	
Miscellaneous		20	
Payroll taxes		19	
Total expenditures	386,497	263,419	123,078
Excess of revenues over (under) expenditures	(344,497)	(212,068)	132,429
OTHER FINANCING SOURCES (USES)			
Transfers in	289,075	239,075	(50,000)
Net change in fund balance	(55,422)	27,007	82,429
FUND BALANCE, JUNE 30, 2005	66,245	66,245	
FUND BALANCE, JUNE 30, 2006	\$ 10,823	\$ 93,252	\$ 82,429

HIGHWAY
FUND

VILLAGE OF PINCKNEY
HIGHWAY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 92,904
Accounts receivable	95
Property taxes receivable	2,769
Due from other fund	<u>4,001</u>

Total assets \$ 99,769

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 697
Deferred revenue	<u>6,075</u>

Total liabilities \$ 6,772

FUND BALANCE

92,997

Total liabilities and fund balance \$ 99,769

VILLAGE OF PINCKNEY
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 147,513	\$
Interest		8,201	
Right of way fees		6,592	
Sidewalk reimbursements		3,754	
Total revenues	162,853	166,060	3,207
EXPENDITURES			
Street lighting		66,155	
Downtown Development Authority		12,613	
Sidewalks utilities		4,582	
Labor usage		871	
Miscellaneous		8	
Total expenditures	84,268	84,229	39
Excess of revenues over (under) expenditures	78,585	81,831	3,246
OTHER FINANCING SOURCES (USES)			
Transfers out	(289,075)	(239,075)	50,000
Net change in fund balance	(210,490)	(157,244)	53,246
FUND BALANCE, JUNE 30, 2005	250,241	250,241	
FUND BALANCE, JUNE 30, 2006	\$ 39,751	\$ 92,997	\$ 53,246

DOWNTOWN
DEVELOPMENT
AUTHORITY FUND

VILLAGE OF PINCKNEY
DOWNTOWN DEVELOPMENT AUTHORITY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 167,571	
Accounts receivable	262	
Property taxes receivable	2,319	
Prepaid expenditures	<u>7</u>	
Total assets		\$ <u>170,159</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 20,870	
Accrued interest payable	3,372	
Due to other funds	<u>10,378</u>	
Total liabilities		\$ 34,620

FUND BALANCE

		<u>135,539</u>
Total liabilities and fund balance		\$ <u>170,159</u>

VILLAGE OF PINCKNEY
DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 89,061	\$
Interest income		4,393	
Refunds and reimbursements		762	
Total revenues	91,965	94,216	2,251
EXPENDITURES			
Capital outlay		32,486	
Utilities		23,892	
Debt service - principal		15,000	
Debt service - interest		13,676	
Legal and audit fees		4,298	
Supplies		696	
Repairs and maintenance		590	
Labor usage		541	
Equipment usage		498	
Printing and publishing		415	
Miscellaneous		249	
Refuse expense		204	
Insurance		4	
Total expenditures	95,966	92,549	3,417
Excess of revenues over (under) expenditures	(4,001)	1,667	5,668
FUND BALANCE, JUNE 30, 2005	133,872	133,872	
FUND BALANCE, JUNE 30, 2006	\$ 129,871	\$ 135,539	\$ 5,668

CEMETERY
FUND

VILLAGE OF PINCKNEY
CEMETERY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 61,473
Accounts receivable	249
Prepaid expenditures	277
Due from other funds	<u>1,200</u>

Total assets	\$ <u>63,199</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 169
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FUND BALANCE

<u>63,030</u>

Total liabilities and fund balance	\$ <u>63,199</u>
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VILLAGE OF PINCKNEY
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Sale of lots	\$	\$ 11,400	\$
Interest		2,737	
Miscellaneous		33	
	<u>11,800</u>	<u>14,170</u>	<u>2,370</u>
Total revenues			
EXPENDITURES			
Labor usage costs		9,087	
Equipment usage costs		4,100	
Subcontracted services		3,903	
Repurchase lots		2,250	
Insurance		857	
Repairs and maintenance		778	
Utilities		690	
Miscellaneous		165	
	<u>24,305</u>	<u>21,830</u>	<u>2,475</u>
Total expenditures			
Excess of revenues over (under) expenditures	(12,505)	(7,660)	4,845
FUND BALANCE, JUNE 30, 2005	<u>70,690</u>	<u>70,690</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 58,185</u>	<u>\$ 63,030</u>	<u>\$ 4,845</u>

POLICE
TRAINING
FUND

VILLAGE OF PINCKNEY
POLICE TRAINING FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,493

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 210

FUND BALANCE

1,283

Total liabilities and fund balance

\$ 1,493

VILLAGE OF PINCKNEY
POLICE TRAINING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Grant - state	\$	\$ 937	\$
Interest		49	
Total revenues	915	986	71
EXPENDITURES			
Supplies		762	
Training		347	
Total expenditures	900	1,109	(209)
Excess of revenues over (under) expenditures	15	(123)	(138)
FUND BALANCE, JUNE 30, 2005	1,406	1,406	
FUND BALANCE, JUNE 30, 2006	\$ 1,421	\$ 1,283	\$ (138)

DRUG
LAW ENFORCEMENT
FUND

VILLAGE OF PINCKNEY
DRUG LAW ENFORCEMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,180

FUND BALANCE

FUND BALANCE

\$ 1,180

VILLAGE OF PINCKNEY
 DRUG LAW ENFORCEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Miscellaneous	\$	\$ 126	\$
Interest		48	
	<u> </u>	<u> </u>	<u> </u>
Total revenues	115	174	59
EXPENDITURES			
Computer software	<u>1,000</u>	<u>600</u>	<u>400</u>
Excess of revenues over (under) expenditures	(885)	(426)	459
FUND BALANCE, JUNE 30, 2005	<u>1,606</u>	<u>1,606</u>	<u> </u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 721</u></u>	<u><u>\$ 1,180</u></u>	<u><u>\$ 459</u></u>

POLICE
RESERVES
FUND

VILLAGE OF PINCKNEY
POLICE RESERVES FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,086

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 9

FUND BALANCE

1,077

Total liabilities and fund balance

\$ 1,086

VILLAGE OF PINCKNEY
POLICE RESERVES FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Miscellaneous	\$	\$ 2,031	\$
Interest		37	
Total revenues	2,035	2,068	33
EXPENDITURES			
Training		848	
Supplies		143	
Total expenditures	898	991	(93)
Excess of revenues over (under) expenditures	1,137	1,077	(60)
FUND BALANCE, JUNE 30, 2005			
FUND BALANCE, JUNE 30, 2006	\$ 1,137	\$ 1,077	\$ (60)

LOCAL
IMPROVEMENT
FUND

VILLAGE OF PINCKNEY
LOCAL IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents
Accounts receivable

\$ 49,463
15

Total assets

\$ 49,478

FUND BALANCE

FUND BALANCE

\$ 49,478

VILLAGE OF PINCKNEY
LOCAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ 500	\$ 1,753	\$ 1,253
EXPENDITURES			
Excess of revenues over (under) expenditures	<u>500</u>	<u>1,753</u>	<u>1,253</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,500	6,439	
Transfers out	<u>(30,000)</u>		
Total other financing sources (uses)	<u>(24,500)</u>	<u>6,439</u>	<u>30,939</u>
Net changes in fund balance	(24,000)	8,192	32,192
FUND BALANCE, JUNE 30, 2005	<u>41,286</u>	<u>41,286</u>	
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 17,286</u></u>	<u><u>\$ 49,478</u></u>	<u><u>\$ 32,192</u></u>

SEWAGE
DISPOSAL SYSTEM
FUND

VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 452,177	
Accounts receivable – billings	133,965	
Accounts receivable - special assessment	264,137	
Prepaid expenses	4,043	
Due from other funds	<u>506</u>	
Total current assets		\$ 854,828

RESTRICTED ASSETS

Cash - capital replacement	1,001,596	
Cash - special assessments	<u>322,317</u>	
Total restricted assets		1,323,913

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	5,424,455	
Less: accumulated depreciation	<u>(1,993,598)</u>	
Net property, plant and equipment		<u>3,430,857</u>

Total assets		<u><u>\$ 5,609,598</u></u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 88,678	
Bonds payable - current portion	25,000	
Accrued interest payable	6,519	
Due to other funds	<u>825</u>	
Total current liabilities		\$ 121,022

LONG-TERM LIABILITIES

Payable from restricted assets		
Special assessment limited tax bonds	540,000	
Less: current portion above	<u>(25,000)</u>	
Total long-term liabilities		<u>515,000</u>
Total liabilities		636,022

FUND EQUITY

Retained earnings		<u>4,973,576</u>
Total liabilities and fund equity		<u>\$ 5,609,598</u>

VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES		
Sewer billings		\$ 341,230
OPERATING EXPENSES		
Depreciation	\$ 145,874	
Labor costs	66,104	
Utilities	46,929	
Subcontracted service	12,701	
Testing fees	11,970	
Insurance	8,410	
Equipment usage	7,554	
Lagoon and manhole work	6,554	
Audit fees	5,500	
License and permits	3,800	
Repairs and maintenance	3,457	
Capital outlay	3,152	
Fuels and lubricants	2,745	
Equipment and tools	2,482	
Telephone and internet	1,591	
Supplies	1,459	
Printing and publishing	1,317	
Computer hardware and software	1,286	
Miscellaneous	1,248	
Legal fees	1,138	
Dues and subscriptions	580	
Seminars and training	542	
Postage	282	
Uniforms	130	
Mileage reimbursement	53	
Total operating expenses		<u>336,858</u>
Operating income		4,372
NON-OPERATING REVENUES (EXPENSES)		
Interest income	89,535	
Interest (expense)	(27,250)	
Other revenue	6,470	
Net non-operating revenues		<u>68,755</u>
Income before capital contributions and special items		73,127
CAPITAL CONTRIBUTIONS		
Tap-in fees		34,750
SPECIAL ITEM		
Connection and user fees repaid		<u>(103,377)</u>
Net income		4,500
RETAINED EARNINGS, JUNE 30, 2005		<u>4,969,076</u>
RETAINED EARNINGS, JUNE 30, 2006		<u><u>\$ 4,973,576</u></u>

VILLAGE OF PINCKNEY
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating income		\$ 4,372
Adjustments to reconcile operating income to net cash from operating activities		
Other income	\$ 6,470	
Depreciation	145,874	
Changes in assets and liabilities		
Decrease in accounts receivable	829	
Decrease in prepaid expenses	2,832	
Decrease in due from other funds	481	
Increase in accounts payable	<u>73,580</u>	
Total adjustments		<u>230,066</u>
Net cash from operating activities		234,438

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to sewer system	(143,882)	
Connection fee repaid	(103,377)	
Tap-in fees received	34,750	
Repayment of bonds and notes payable principle	(25,000)	
Special assessments collected	24,492	
Interest paid	<u>(27,544)</u>	
Net cash (used in) capital and related financing activities		(240,561)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Interest on cash and investments	<u>89,535</u>	
Net increase in cash and cash equivalents		83,412

CASH AND CASH EQUIVALENTS AT JUNE 30, 2005	<u>1,692,678</u>
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CASH AND CASH EQUIVALENTS AT JUNE 30, 2006	<u><u>\$ 1,776,090</u></u>
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WATER
FUND
VILLAGE

VILLAGE OF PINCKNEY
WATER FUND - VILLAGE
BALANCE SHEET
JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 499,758
Accounts receivable – billings	70,931
Prepaid expenses	3,452
Inventory	1,200
Special assessment – current	17,540
Special assessment – deferred	149,216
Due from other funds	<u>3,398</u>

Total current assets \$ 745,495

RESTRICTED ASSETS

Cash - capital replacement	796,362
Cash - construction	344,911
Cash - bond reserve	<u>181,406</u>

Total restricted assets 1,322,679

PROPERTY, PLANT AND EQUIPMENT

Water system	4,040,037
Equipment	<u>45,826</u>
	4,085,863
Less: accumulated depreciation	<u>(1,337,857)</u>

Net property, plant and equipment 2,748,006

Total assets \$ 4,816,180

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 7,278
Due to other funds	1,775
Accrued interest payable	4,195
Bonds payable - current portion	<u>15,000</u>

Total current liabilities		\$ 28,248
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LONG-TERM LIABILITIES

Bonds payable - less current portion		<u>265,000</u>
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Total liabilities		293,248
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FUND EQUITY

Retained earnings		<u>4,522,932</u>
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Total liabilities and fund equity		<u><u>\$ 4,816,180</u></u>
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VILLAGE OF PINCKNEY
WATER FUND – VILLAGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Water billings	\$ 172,491
Water meter purchases	<u>18,458</u>
Total revenues	190,949

OPERATING EXPENSES

Depreciation	\$ 109,320
Labor usage	46,689
Water meters	29,212
Utilities	10,564
Subcontracted services	8,228
Insurance	7,695
Plumbing supplies	5,671
Chemicals	5,272
Equipment usage	3,381
Auditors	3,000
Testing	2,885
Administrative fees	2,636
Repairs and maintenance	2,245
Fuels and lubricants	2,033
Capital outlay	1,768
Equipment and tools	1,692
Printing and publications	1,656
Legal fees	1,123
Computer supplies	686
Telephone	636
Supplies	358
Dues and subscriptions	250
Miscellaneous	<u>425</u>
Total operating expenses	<u>247,425</u>
Operating (loss)	(56,476)

NON-OPERATING REVENUES (EXPENSES)

Miscellaneous income	11,138
Interest income	61,692
Interest income - SAD	24,166
Interest (expense)	(17,444)
Agent fees	<u>(400)</u>

Net non-operating revenues 79,152

Income before capital contributions 22,676

CAPITAL CONTRIBUTIONS

Tap-in fees 31,000

Net Income 53,676

RETAINED EARNINGS, JUNE 30, 2005 4,469,256

RETAINED EARNINGS, JUNE 30, 2006 \$ 4,522,932

VILLAGE OF PINCKNEY
WATER FUND - VILLAGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (56,476)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities		
Miscellaneous income	\$ 6,038	
Depreciation	109,320	
Changes in assets and liabilities		
(Increase) in accounts receivable - billings	(11,953)	
Decrease in prepaid expenses	2,910	
(Increase) in due from other funds	(3,371)	
(Decrease) in accounts payable	(2,849)	
(Decrease) in due to other funds	<u>(752)</u>	
Total adjustments		<u>99,343</u>
Net cash from (used in) operating activities		42,867

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Tap-in fees received	31,000	
Special assessment principal	25,178	
Special assessment interest	24,166	
Sale of equipment	5,100	
Purchase of equipment	(23,068)	
Bond payment principal	(15,000)	
Bond payment interest/fees	<u>(18,065)</u>	
Net cash (used in) capital and related financing activities		29,311

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Interest on cash and investments	<u>61,692</u>	
Net increase in cash and cash equivalents		133,870

CASH AND CASH EQUIVALENTS AT JUNE 30, 2005	<u>1,688,567</u>
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CASH AND CASH EQUIVALENTS AT JUNE 30, 2006	<u><u>\$ 1,822,437</u></u>
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CURRENT
TAX
COLLECTION
FUND

VILLAGE OF PINCKNEY
CURRENT TAX COLLECTION FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

\$

LIABILITIES

LIABILITIES

\$

TRUST
AND
AGENCY
FUND

VILLAGE OF PINCKNEY
TRUST AND AGENCY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 53,546
Due from other funds	<u>240</u>

Total assets	<u>\$ 53,786</u>
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LIABILITIES

LIABILITIES

Due to others	\$ 38,009
Due to other funds	<u>15,777</u>

Total liabilities	<u>\$ 53,786</u>
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VILLAGE OF PINCKNEY

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2006



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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September 18, 2006

Village of Pinckney
220 S. Howell
P. O. Box 108
Pinckney, Michigan 48169

Honorable Village Council:

In planning and performing our audit of the financial statements of the Village of Pinckney for the year ended June 30, 2006, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows.

RECURRING COMMENT FROM PRIOR AUDIT PERIODS

1. **COMMENT**

Utility billings/receivable could not be reconciled to the general ledger.

RECOMMENDATION

Detailed billing registers and outstanding balance reports need to be maintained and periodically reconciled to the general ledger.

This letter does not affect our report dated September 18, 2006, on the financial statements of the Village of Pinckney.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Village Council and is not intended to be and should not be used by any other party.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants